[Shri A. J. John]

BUDGET ESTIMATES, 1956-57.

6. Before entering into the details of the provisions made in the next year's budget, I would like to refer to an important change in classification. In the context of the vast development activities which are currently being undertaken, the allocation of expenditure between revenue and capital called for a review. Larger national interests now compel us to incur expenditure at a faster pace than can be supported by current taxation at reasonable levels. Therefore it has been decided in consultation with the Government of India that certain items which are at present met from the current revenues should be transferred to capital, without at the same time departing from the fundamental principles governing the classification of expenditure as capital. Thus expenditure on major works which results in the creation of tangible assets such as construction of buildings which individually cost Rs. 20,000, or as a scheme, Rs. one lakh, has been transferred to the capital side. As a result of this decision expenditure to the tune of about Rs. 225 lakhs has been transferred from Revenue to Capital.

ESTIMATES OF REVENUE AND EXPENDITURE.

7. I shall now unfold the picture for the coming year. The revenue for the next year is estimated at Rs. 1889.90 lakhs and the expenditure at Rs. 2198.38 lakhs. This would result in a deficit of Rs. 308.48 lakhs.

The revenue estimates do not take credit for any new measures of taxation. Credit has, however, been taken for a revenue of Rs. 15 lakhs from Betterment Levy, for which the necessary legislation is already pending before the House. The improvement to the extent of Rs. 171:54 lakhs over the Budget Estimates for the current year is mainly due to larger returns anticipated under 'Agricultural Income-tax', 'State Excise' and 'Forests'.

Sales Tax : The Supreme Court recently decided that under the Constitution the States are not entitled to collect sales tax on inter-State trade. The State thus lost a potential source of revenue. However, by an Ordinance issued by the Central Government the States were enabled to retain the tax already collected. The Taxation Enquiry Commission has made certain recommendations for rationalising the law on the

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subject. Their suggestions are being examined and it is hoped that it will soon be possible to supply the missing link.

8. Turning to the expenditure side I should say at once that the revenue expenditure of Rs. 2198.38 lakhs gives only a partial view of the programme before us. Under Capital I have budgeted for a huge sum of Rs. 940.23 lakhs. Taking the two sections together the total expenditure contemplated in the next year's budget amounts to Rs. 3138.61 lakhs excluding Loans and Advances, which is the highest amount ever budgeted for. The maximum amount which has been budgeted for in the past is only Rs. 2777.67 lakhs in 1955-56.

In drawing up this programme I have given top priority to the schemes included in the Second Five Year Plan. Broadly speaking, full allotment has been made for achieving the financial targets fixed for the first year. I have already given an over-all idea of what we propose to do under the Plan. It only remains for me to indicate in more detail some of the main features of the programme we have drawn up.

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IRRIGATION.

9. *Major Irrigation.*—Out of the six major irrigation projects included in the State's First Five Year Plan, Thottapally Spillway under Kuttanad Development Scheme and Perunchani have been completed. The other four *viz.*, Peechi, Chalakudi First Stage, Vazhani and Neyyar are in advanced stages of completion. All these projects are expected to be completed next year and necessary provision has been made in the Budget Estimates for 1956-57 towards their spill over to the Second Plan period.

Under the Second Five Year Plan of the State, seven major irrigation projects calculated to benefit a total area of about 1,53,000 acres have been included and of these, the following are proposed to be taken up next year.

	Acreage expected to be benefited
Neyyar Scheme II Stage	19,100
Chalakudi II Stage	20,250
Cheerakuzhi Scheme	4,000
Periyar Valley (Bhoothathankettu) Scheme	63,300